
DOVER URBAN RENEWAL AGENCY

Dover, Idaho

**Audited Financial Statements
For the Year Ended September 30, 2020**

DOVER URBAN RENEWAL AGENCY
Dover, Idaho

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FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Dover Urban Renewal Agency
Dover, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Dover Urban Renewal Agency, a component unit of the City of Dover, Idaho, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of



significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Dover Urban Renewal Agency, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 and the budgetary comparison on pages 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021 on our consideration of the Dover Urban Renewal Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dover Urban Renewal Agency's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
February 10, 2021



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners
Dover Urban Renewal Agency
Dover, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and each major fund of the Dover Urban Renewal Agency, a component unit of City of Dover, Idaho, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Dover Urban Renewal Agency’s basic financial statements, and have issued our report thereon dated February 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dover Urban Renewal Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dover Urban Renewal Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Dover Urban Renewal Agency’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dover Urban Renewal Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hayden Ross, PLLC

Moscow, Idaho
February 10, 2021

DOVER URBAN RENEWAL AGENCY

Dover, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

The management's discussion and analysis (MD&A) of Dover Urban Renewal Agency's financial performance provides an overall review of the Agency's financial activities for the year ended September 30, 2020. The intent of this MD&A is to look at the Agency's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the Agency's financial performance.

FINANCIAL HIGHLIGHTS

Property tax increment in the urban renewal district (URD) was \$795,649 during FY 2019-20. During FY 2018-19 tax increment was \$731,867. The amount received was higher because the construction of new properties in Dover Bay Development helped to offset the occasional low assessments by the Bonner County Assessor.

Key financial highlights follow:

- The District's General Fund, which pays for most District administration costs including audit, accounting and legal expenses, ended the year with a cash balance of \$546,307, as compared to \$430,023 on hand at the end of FY 2018-19. The primary source of income to this fund is property tax increment. The restricted cash stabilized at its maximum required by loan covenants of \$826,236, when including amount held by the General Fund, marginally higher than the \$825,645 in FY 2018-19. The funds are set aside as a debt service reserve for bonds issued by the Agency.
- Both the Debt Service Reserve and Bond Payment Fund are fully funded at 150% of the Agency's annual debt service on both Series A and B bonds issued in 2016. This has allowed more future increment to flow to the General Fund for funding projects in the URD.
- The sale of the bonds resulted in a negative fund balance at September 30, 2020, due to the funds going for assets held by other governments, such as street, water and sewer improvements.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements.

The Dover Urban Renewal Agency's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3)

notes to the financial statements. This report also contains required supplementary information (RSI) in addition to the basic financial statements themselves.

The MD&A represents management's explanation and analysis of the District's financial condition and performance. Summary financial statement data, the adopted budget, bond resolutions and other management tools were used for this analysis.

Government-wide Financial Statements. The government-wide financial statements are designed to provide the readers with a broad overview of Dover Urban Renewal Agency's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements discuss the function of the Dover Urban Renewal Agency that are principally supported by taxes. The government activities of the Agency include general government, developer reimbursements and public improvements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Dover Urban Renewal Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Dover Urban Renewal Agency has only governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Dover Urban Renewal Agency maintains two governmental funds, the general fund and the debt service fund. Information on these funds is presented in the basic financial statements and budgetary comparisons are presented in the RSI.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government -Wide Financial Analysis
Net Position of Governmental Activities**

	<u>2020</u>	<u>2019</u>
Current assets	1,415,340	434,734
Restricted Assets	819,371	747,691
Total assets	<u>2,234,711</u>	<u>1,182,425</u>
Deferred outflows of resources	-	-
Current liabilities	496,272	475,403
Noncurrent liabilities	5,608,574	5,987,440
Total liabilities	<u>6,104,846</u>	<u>6,462,843</u>
Deferred inflows of resources	864,431	-
Net position		
Restricted	826,236	825,645
Unrestricted	<u>(5,560,802)</u>	<u>(6,106,063)</u>
Total net position	<u>\$ (4,734,566)</u>	<u>\$ (5,280,418)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Dover Urban Renewal Agency, net position was \$(4,734,566) as of September 30, 2020. This is an improvement over the \$(5,280,418) as of September 30, 2019. The negative net position is the result of debt financing for assets that do not ultimately become property of the Agency; rather, they become property of other entities and governments.

Change in Net Position

The main source of income to the District is property tax income received from the Bonner County Assessor, based on the increase in taxes on all property in the URD since January 1, 2005. Since 2016, there are no additional sources of revenue from developmental fees paid by Dover

Bay Development. Those revenues now flow to the city, via an agreement between the city and the Agency.

The Agency's total revenues for the fiscal year ended September 30, 2020 were \$839,086. The total cost of all programs was \$293,234, resulting in a change of net position of \$545,852. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2020 and 2019.

**Government- Wide Financial Analysis
Changes in Net Position**

	<u>2019-2020</u>	<u>2018-2019</u>
Revenues		
General Revenues:		
Property taxes	838,495	735,698
Interest earnings	591	570
Total Revenues	<u>839,086</u>	<u>736,268</u>
Expenses		
General government	92,619	197,654
Interest on long-term debt	200,615	224,322
Total Expenses	<u>293,234</u>	<u>421,976</u>
 Change in net position	 545,852	 314,292
Net position - beginning	<u>(5,280,418)</u>	<u>(5,594,710)</u>
Net position - ending	<u>\$ (4,734,566)</u>	<u>\$ (5,280,418)</u>

Delinquent taxes are collected by Bonner County for collection. Any taxes that are more than three years delinquent are collected by the County during a tax deed sale, and then remitted to the URA.

Governmental Funds:

The Agency completed the year with a total governmental unassigned fund balance of \$463,678, which is an increase from the prior year unassigned fund balance of \$295,146. The reason for the increase was due to more property tax revenue due to improvements. The fund balance restricted for debt service increased to \$826,236 from \$825,645 in the prior year. The balanced fund has resulted from the impact of the refinance of the Series A and B bonds in 2016.

Total governmental fund revenues increased by \$102,865 over the prior fiscal year due to an increase in property taxes from new construction in Dover Bay Development. It was also the result of the joint efforts of the City of Dover, Dover Urban Renewal Agency and the Bonner County Assessor to bring the properties onto the tax roll in a timely manner.

Total non-debt related expenditures decreased by \$105,035. Thus was mainly due to a decrease in public improvement costs reimbursed to the city for water system improvements.

BUDGETARY HIGHLIGHTS

- The Agency had budgeted \$350,000 for public facilities and infrastructure improvements, but spend just \$76,439 for the year ending September 30, 2020, resulting in a variance between budget and actual expenditures of \$273,561 for this line item. All other variances from budget to actual were immaterial.

SUMMARY OF ORGANIZATION AND OPERATIONS

Significant operational data follows:

- The District is an agency of the City of Dover, operating under the laws of the State of Idaho. Five board members are appointed by the Mayor and confirmed by the City Council. The District operates using a General Fund, a Bond Reserve Fund and a Debt Service Fund. There is also a Revenue Fund, which operates as a pass-through for the receipt of all revenues and their distribution to the other funds.
- The District's administration is contracted to the Panhandle Area Council, an economic development agency serving the five northern counties of Idaho.

Capital Asset and Debt Administration.

Asset and debt highlights of the year include:

- The URA does not typically acquire capital assets but rather, as an agency of the City of Dover helps pay for public infrastructure for the City and other local or state governments. This accounts for the negative fund balance, and is typical of URAs that fund improvements held by another entity.
- The URA issued Series A and B bonds in the amount of \$6,115,188 in FY2015-16, to refund Series A and B bond from 2014. The Bonds were originally issued to reimburse Dover Bay Development for costs incurred for city assets, including water and wastewater facilities, streets and a fire station. The bonds are held by Banner Bank and administered by PAC.
- The bonds have a 15-year amortization at \$549,596 (paid semi-annually on February 1 and August 1) with a balance due at the end of the District in 2029. The tax-exempt rate of 3.3% is a historically low rate and will result in the savings of several hundred thousand dollars over the life of the bonds.

Economic Factors and Budget Issues

- Growth in new tax increment is expected in the next fiscal year, as explosive new development is occurring in the URD. The Agency has again approved reimbursing the City of Dover for Water System Upgrades. The upgrades will be funded from unrestricted cash and possibly a loan from a financial institution.

The economic outlook for the Dover Urban Renewal District remains very strong and should continue into the future. This is because of the strong leadership between the City of Dover, and its Mayor and City Council, and the Agency under the leadership of its long-time Chairman, Paul Nowaske and the Agency Board of Commissioners, including Jim Haynes, Mike Mooney and Bill Strand.

Contact information on these financial statements may be directed to the Administrator of the Agency below.

Respectfully submitted,

John F. Austin
DURA Administrator
C/O Panhandle Area Council
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Hayden, ID 83835
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FINANCIAL STATEMENTS



DOVER URBAN RENEWAL AGENCY

Dover, Idaho

STATEMENT OF NET POSITION

September 30, 2020

Assets

Current assets:

Cash and cash equivalents	546,307	
Property tax receivable	2,925	
Unbilled taxes receivable	864,431	
Due from County	1,677	
Restricted cash and cash equivalents	819,371	

Total current assets		<u>2,234,711</u>
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Total assets		<u>2,234,711</u>
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Deferred Outflows of Resources		<u>-</u>
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Liabilities

Current liabilities:

Accounts payable	77,441	
Accrued interest	39,929	
Current portion of bonds payable	378,902	

Total current liabilities		496,272
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Noncurrent liabilities:

Bonds payable, less current portion	4,373,888	
Note payable	1,234,686	

Total noncurrent liabilities		<u>5,608,574</u>
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Total liabilities		<u>6,104,846</u>
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Deferred Inflows of Resources

Unavailable tax revenue		<u>864,431</u>
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Net Position

Restricted for debt service	826,236	
Unrestricted	(5,560,802)	

Total net position		<u>\$ (4,734,566)</u>
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DOVER URBAN RENEWAL AGENCY

Dover, Idaho

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
FUNCTIONS/PROGRAMS					
Governmental activities:					
General government	92,619	-	-	-	(92,619)
Interest on long-term debt	200,615	-	-	-	(200,615)
Total governmental activities	<u>293,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,234)</u>
Total	<u>\$ 293,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (293,234)</u>
		General Revenues			
					838,495
					591
					<u>839,086</u>
					545,852
					<u>(5,280,418)</u>
					<u>\$ (4,734,566)</u>

DOVER URBAN RENEWAL AGENCY

Dover, Idaho

GOVERNMENTAL FUNDS**BALANCE SHEET**

September 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	546,307	-	546,307
Property tax receivable	2,925	-	2,925
Unbilled taxes receivable	314,835	549,596	864,431
Due from County	1,677	-	1,677
Restricted cash and cash equivalents	-	819,371	819,371
Due from other funds	-	6,865	6,865
Total assets	<u>865,744</u>	<u>1,375,832</u>	<u>2,241,576</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 865,744</u>	<u>\$ 1,375,832</u>	<u>\$ 2,241,576</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	77,441	-	77,441
Due to other funds	6,865	-	6,865
Total liabilities	<u>84,306</u>	<u>-</u>	<u>84,306</u>
Deferred inflows of resources:			
Deferred revenue	2,925	-	2,925
Unavailable tax revenue	314,835	549,596	864,431
Total deferred inflows of resources	<u>317,760</u>	<u>549,596</u>	<u>867,356</u>
Fund balance:			
Restricted for debt service	-	826,236	826,236
Unassigned	463,678	-	463,678
Total fund balance	<u>463,678</u>	<u>826,236</u>	<u>1,289,914</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 865,744</u>	<u>\$ 1,375,832</u>	<u>\$ 2,241,576</u>

DOVER URBAN RENEWAL AGENCY

Dover, Idaho

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES**

September 30, 2020

Total Fund Balance - Governmental Fund 1,289,914

Amounts reported for governmental activities in the statement of net position are different because:

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 2,925

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the government fund financial statements, an interest expenditures is reported when paid. (39,929)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable (4,752,790)
Note payable (1,234,686)

Total Net Position - Governmental Activities \$ (4,734,566)

DOVER URBAN RENEWAL AGENCY

Dover, Idaho

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES			
Property tax	290,643	549,596	840,239
Interest and investment earnings	-	591	591
Total revenues	<u>290,643</u>	<u>550,187</u>	<u>840,830</u>
EXPENDITURES			
Advertising	253	-	253
Audit	5,150	-	5,150
Bank charges	38	-	38
Professional fees	1,739	-	1,739
Consulting and administrative expenses	9,000	-	9,000
Public improvements	76,439	-	76,439
Principal	-	364,978	364,978
Interest expense	29,492	184,618	214,110
Total expenditures	<u>122,111</u>	<u>549,596</u>	<u>671,707</u>
Net change in fund balance	168,532	591	169,123
Fund balance - beginning	<u>295,146</u>	<u>825,645</u>	<u>1,120,791</u>
Fund balance - ending	<u>\$ 463,678</u>	<u>\$ 826,236</u>	<u>\$ 1,289,914</u>

DOVER URBAN RENEWAL AGENCY

Dover, Idaho

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2020

Net change in fund balance - governmental funds	169,123
Amounts reported for governmental activities in the statement of activities are different because:	
Some property taxes will not be collected for several months after the Agency's fiscal year ends and they are not considered as "available" revenues in the governmental funds. Instead they are counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(1,744)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditures is reported when due.	13,495
Repayment of the principal on general bonded indebtedness is an expenditure in the governmental funds but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	
Revenue bonds	<u>364,978</u>
Total change in net position - governmental activities	<u>\$ 545,852</u>

DOVER URBAN RENEWAL AGENCY
Dover, Idaho

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 Summary of Significant Accounting Policies

The financial statements of Dover Urban Renewal Agency (the "Agency") have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

Reporting Entity

Dover Urban Renewal Agency is an urban renewal agency created by and existing under the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body.

The accompanying financial statements include all aspects controlled by the Board of Commissioners of Dover Urban Renewal Agency. The Agency is included in the City of Dover, Idaho financial reporting. These statements present only the funds of the Agency and are not intended to present the financial position and results of operations of the City of Dover, Idaho in conformity with GAAP.

Under the Idaho Code, in April 2005, the Dover City Council passed an ordinance that created the Dover Urban Renewal Agency. The Agency was established to promote urban development and improvement in and around the City of Dover. Under the Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the revenues attributable to tax increment financing. Any bonds issues are not a debt of the City. Dover City Council is not responsible for approving the Agency budget of funding any annual deficits. The Agency controls disbursements independent of City Council.

The Board of Commissioners is the decision-making authority that determines by formal vote whether funds are to be committed or assigned and only the Board can determine any change in fund status by the same type of formal vote.

Basis of Presentation, Fund Accounting

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. The Agency does not have any business-type activities.

NOTE 1 Summary of Significant Accounting Policies (Continued)

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. The fund financial statements consist of the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. A reconciliation between the government-wide financial statements and the fund financial statements is also presented.

The financial transactions of the agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and resources, fund balance, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Agency and are considered major funds:

General Fund – This fund is established to account for resources devoted to financing the general services that the Agency performs for its patrons. General tax revenues and other sources of revenue used to finance the fundamental operations of the Agency are included in this fund. This fund is charged with all costs of operating the Agency for which a separate fund has not been established.

Debt Service Fund – The Bond Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, expenditures related to debt service, are recorded when payment is due. Expenditure recognition occurs in the accounting period in which the liability is incurred if measurable. Principal and interest on general long-term debt are recognized as fund liabilities when due, or when amounts have been accumulated (if appropriate) in a debt service fund for payments to be made in the following year.

Property taxes, interest income, and various other revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents – In the governmental funds, cash received by the Agency is pooled for investment purposes and is presented as “Cash and Cash Equivalents” on the financial statements. For presentation in the financial statements, cash and cash equivalents includes cash on hand, amounts due from banks, demand deposits, and cash with a fiscal agent.

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance for uncollectibles for property taxes is zero at September 30, 2020.

Capital Assets – The Agency has no capital assets of its own. For office space and equipment, the Agency contracts with Panhandle Area Council, Inc. All infrastructure and equipment purchases noted have been dedicated to the government agency that will use those assets in its work.

Due To and From Other Funds – Interfund receivables and payables are related to cash restricted for debt service payments that have not been transferred into the fund.

Accrued Liabilities and Long-Term Obligations – All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund, when due, or when resources have been accumulated in the general fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is maintained separately and represents a reconciling item between the fund and government-wide presentation.

Deferred Outflows/Inflows of Resources – In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The government has

NOTE 1 Summary of Significant Accounting Policies (Continued)

only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumptions – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g.; restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resource are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a committed (committed fund balance) or an assigned (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund balances of the governmental funds are classified as follows in the fund financial statements:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Commissioners by ordinance or resolution.

Assigned – Amounts that are designated by the Board of Commissioners for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Commissioners.

Unassigned – All amounts not included in other spendable classifications.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 Stewardship, Compliance, And Accountability

Budgetary Data

The Agency follows the procedures established by Idaho Code 33-2713A, in establishing the budgetary data reflected in the financial statements. A summary of these procedures are as follows:

- a) The Agency publishes a proposed budget for public review
- b) Public hearings are set to obtain taxpayer comments
- c) Prior to October 1, the budget is adopted by resolution of the Board of Commissioners and published.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations in conformity with Idaho Statutes.

NOTE 3 Cash and Investments

Deposits

	<u>Carrying</u>	<u>Bank Balance</u>
Cash in bank	1,365,678	1,365,906
Total	<u>\$ 1,365,678</u>	<u>\$ 1,365,906</u>

Deposits were with Banner Bank of which \$250,000 of interest bearing accounts and non-interest bearing accounts were covered by Federal Deposit Insurance. The remaining balance of \$865,906 is in excess of the FDIC insured limit and is uncollateralized and unsecured.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Custodial credit risk for investments is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the Agency will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Agency does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization such as Moody’s or Standard & Poor’s. The Agency is not subject to credit risk as they have no investments. The Agency does not have a policy regarding credit risk.

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rate. At year-end, the Agency is not subject to interest rate risk as they do not have any investments. The Agency does not have a policy regarding interest rate risk.

Concentration of credit risk is the risk that concentration of investments with one issuer represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total investments of the entity are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District does not have a policy limiting the amount it may invest in any one issuer.

NOTE 4 Property Tax

Taxes are due in two equal installments on the December 20 and June 20 following the levy date. The total 2019 tax levy was \$795,649, of which 99.64% was collected and \$2,868 remains unpaid as of September 30, 2020.

Property taxes levied for the current year and prior years and uncollected at September 30, are recorded as taxes receivable. To the extent that they are not collected by the County by November 30, 2020, a deferred revenue account in that amount is established in the governmental funds.

Total taxes receivable at September 30, 2020	2,925
Less: Taxes estimated to be collected by the County Treasurer by November 30, 2020	-
Deferred revenue	<u>\$ 2,925</u>

In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Agency has recognized the 2020 property tax levy as an asset. This levy is an enforceable legal claim created during the fiscal year. The total property taxes levy for 2020 of \$864,431 is recorded as uncollected but are not considered available at September 30, 2020. The entire receivable is considered a deferred inflow of resources.

NOTE 5 Long-Term Debt

On November 18, 2008, an agreement was signed between the City of Dover and Dover Urban Renewal Agency. The City of Dover loaned the Agency \$1,174,095. The loan shall be immediately due and payable on the date of termination of the Amended Plan, 2030. The unpaid principal amount of the loan and any advances shall accrue interest at a variable rate equal to the monthly distribution yield of the Idaho State Treasurer’s Local Government Investment Pool. The loan agreements specify that interest due annual upon receipt of written request for payment by the lender to the borrower. The City paid Dover Urban Renewal Agency another \$60,591 in hookups per agreement as of March 31, 2016, increasing the note payable to \$1,234,686 as of September 30, 2016. Beginning in March 2016, the City will not pay the agency for connection fees that were subject to the previous loan agreement.

In June 2016, the Dover Urban Renewal Agency signed bond documents to refinance their Tax Revenue Allocation Refunding Bonds. Series A & B (the “Bond”) in the amounts of \$4,760,459 (2016A Bond) and \$1,354,729 (2016B Bond). The Series 2016A Bond is subject to an interest rate of 3.25% per annum through August 1, 2020. The Series 2016B Bond is subject to an interest rate of 4.85% per annum through August 1, 2020. Interest shall be computed on the basis of a year of 360 days and actual days elapsed. The 2016A Bond shall be payable in semi-annual payments, consisting of principal and accrued interest, commencing on February 1, 2018, continuing thereafter on the 1st day of each February and August until payment in full. Payments made on February 1st and August 1st will be in the amount of \$208,562.55 through August 1, 2030. The 2016B Bond shall be payable in semi-annual payments, consisting of

NOTE 5 Long-Term Debt (Continued)

principal and accrued interest, commencing on February 1, 2018, continuing thereafter on the 1st day of each February and August until payment in full. Payments made on February 1st and August 1st will be in the amount of \$66,235.47 through August 1, 2030.

Bond covenants require a reserve account in the amount of the annual debt service on the bonds and a debt service account in the amount of the minimum amount to pay the next semiannual debt payment. All revenue allocation proceeds as received shall be deposited in the revenue account to replenish the reserve account or debt service in order to maintain required balances. Amounts available in the debt service account shall be applied to pay the semi-annual installments of principal and interest on the bond and to redeem principal of the bond. On any semi-annual payment date for the bond, if money in the debt service account is insufficient to make the payment of principal and interest due on such date, money shall be transferred from the reserve account to the debt service account to make up such deficiency. Revenue allocation proceeds shall thereafter be deposited into the reserve account until such account is restored to the necessary required amounts. Any remaining funds may be transferred into the General Fund Account if there is no deficiency in the Bond Reserve Account and the agency has replenished the Debt Service Account.

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Payments</u>	<u>Ending balance</u>	<u>Due within One Year</u>
Notes payable - City of Dover	1,234,686	-	-	1,234,686	-
Series A Bond 2016	3,965,073	-	(288,431)	3,676,642	298,385
Series B Bond 2016	1,152,695	-	(76,547)	1,076,148	80,517
Total long-term debt at September 30, 2019	<u>\$ 6,352,454</u>	<u>\$ -</u>	<u>\$ (364,978)</u>	<u>\$ 5,987,476</u>	<u>\$ 378,902</u>

Debt service requirements at September 30 will be as follows:

Year Ended 9/30/	Principal	Interest	Total
2021	378,902	170,694	549,596
2022	392,826	156,770	549,596
2023	407,275	142,321	549,596
2024	421,936	127,660	549,596
2025	437,832	111,764	549,596
2026- 2030	3,948,705	303,784	4,252,489
Totals	<u>\$ 5,987,476</u>	<u>\$ 1,012,993</u>	<u>\$ 7,000,469</u>

NOTE 6 Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Agency is protected from such losses by Dover's commercial insurance policy.

NOTE 7 Tax Increment Rebate

In 2007, the City authorized the Board to include a rebate to local agencies whose budgets may be impacted by the extension of the Urban Renewal Plan to 2029. The City of Dover was the first recipient of the \$30,000, which was paid out in November, 2008. The Agency has made an obligation to pay \$30,000 annual until the year 2030. Since 2017, the City of Dover has forgone the rebate annually so the Agency can utilize those funds for capital projects.

REQUIRED SUPPLEMENTARY INFORMATION



DOVER URBAN RENEWAL AGENCY

Dover, Idaho

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL**

For the Year Ended September 30, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property tax	<u>290,643</u>	<u>200,000</u>	<u>90,643</u>
Total revenues	<u>290,643</u>	<u>200,000</u>	<u>90,643</u>
EXPENDITURES			
Advertising	253	-	(253)
Audit	5,150	5,000	(150)
Bank charges	38	-	(38)
Office expense	-	400	400
Professional fees	1,739	3,000	1,261
Consulting and administrative expenses	9,000	9,000	-
Public improvements	76,439	350,000	273,561
Interest expense	<u>29,492</u>	<u>24,000</u>	<u>(5,492)</u>
Total expenditures	<u>122,111</u>	<u>391,400</u>	<u>269,289</u>
Net change in fund balance	168,532	<u>\$ (191,400)</u>	<u>\$ 359,932</u>
Fund balance - beginning	<u>295,146</u>		
Fund balance - ending	<u>\$ 463,678</u>		

DOVER URBAN RENEWAL AGENCY

Dover, Idaho

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL**

For the Year Ended September 30, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property tax	549,596	548,096	1,500
Interest and investment earnings	<u>591</u>	<u>1,500</u>	<u>(909)</u>
Total revenues	<u>550,187</u>	<u>549,596</u>	<u>591</u>
EXPENDITURES			
Principal payments	364,978	365,014	36
Interest payments	<u>184,618</u>	<u>184,582</u>	<u>(36)</u>
Total expenditures	<u>549,596</u>	<u>549,596</u>	<u>-</u>
Net change in fund balance	591	<u>\$ -</u>	<u>\$ 591</u>
Fund balance - beginning	<u>825,645</u>		
Fund balance - ending	<u>\$ 826,236</u>		